UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 86712 / August 20, 2019

ADMINISTRATIVE PROCEEDING
File No. 3-19365

In the Matter of **MOSAIC CAPITAL, LLC, f/k/a AOC SECURITIES, LLC,** **Respondent.**	**ORDER INSTITUTING ADMINISTRATIVE PROCEEDINGS PURSUANT TO SECTION 15(b) OF THE SECURITIES EXCHANGE ACT OF 1934, MAKING FINDINGS, AND IMPOSING REMEDIAL SANCTIONS**

I.

The Securities and Exchange Commission (the "Commission") deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted pursuant to Section 15(b) of the Securities Exchange Act of 1934 (the "Exchange Act") against Mosaic Capital, LLC, f/k/a AOC Securities, LLC ("AOC" or "Respondent").

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the "Offer") which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission's jurisdiction over it and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this Order Instituting Administrative Proceedings Pursuant to Section 15(b) of the Securities Exchange Act of 1934, Making Findings, and Imposing Remedial Sanctions ("Order"), as set forth below.

III.

On the basis of this Order and Respondent's Offer, the Commission finds[1] that:

Summary

1. AOC failed reasonably to supervise an AOC trader in connection with the trader's violations of the antifraud provisions of the federal securities laws. Specifically, AOC failed to supervise Frank Dinucci Jr. ("Dinucci"), an associated person of AOC, who among other things, participated in a fraudulent valuation scheme including by providing artificially inflated price quotes or marks for certain mortgage-backed securities to a significant customer of AOC in return for the promise of securities trades being sent to AOC. The firm and its chief executive officer knew Dinucci was providing price quotes or marks to at least one AOC customer as part of AOC's brokerage business. Nonetheless, AOC failed to establish or implement adequate policies and procedures reasonably designed to prevent and detect Dinucci's violations.

Respondent

2. **AOC** is a Delaware limited liability company with its principal place of business in New York, New York. Beginning in December 2014, AOC registered and operated as a broker-dealer focused on mortgage-backed securities. On October 4, 2018, AOC filed a Form BDW with the Commission, which became effective on December 3, 2018.[2]

Other Relevant Individual

3. **Dinucci**, age 36, was associated with AOC from May 8, 2015 to April 6, 2017. On April 6, 2017, Dinucci pleaded guilty to several criminal counts including securities fraud. *See U.S. v. Frank Dinucci, Jr.*, No. 18 Cr. 332 (S.D.N.Y.). Dinucci also agreed to settle related follow-on administrative proceedings brought by the Commission. *See In re Frank Dinucci, Jr.*, Exchange Act Release No. 85053 (Feb. 5, 2019). The criminal information to which Dinucci pleaded guilty alleged that Dinucci entered into a deferred prosecution agreement with the Commission in which he agreed, among other things, "to refrain for a period of one year . . . from any association with any broker [or] dealer," from October 8, 2015, to October 8, 2016, and that Dinucci submitted four

[1]The findings herein are made pursuant to Respondent's Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

[2] AOC's withdrawal from registration as a broker-dealer came after the Commission filed charges relating to the fraudulent valuation scheme alleged in *SEC v. Premium Point Investments LP, et al.*, No. 18 Civ. 4145 (S.D.N.Y.), and certain other steps taken by staff of the Commission.

certifications to the Commission that falsely certified that he was "not associated with any broker [or] dealer," when he was associated with AOC.

Background

4. "[I]t is critical for investor protection that a broker establish and enforce effective procedures to supervise its employees." *In re Donald T. Sheldon*, Exchange Act Release No. 31475 (Nov. 18, 1992) (Commission opinion), *aff'd*, 45 F.3d 1515 (11th Cir. 1995).

5. At various times, from at least September 2015 through March 2016 (the "Relevant Period"), Dinucci provided inflated price quotes or marks on securities to a New York-based investment adviser, Premium Point Investments LP ("PPI"). PPI used those marks in conjunction with other so-called levers to inflate the value of the securities it held, at times by more than 100%, and to report inflated monthly valuations and net asset values for several funds to investors in those funds.

6. In return, PPI traders promised Dinucci to send securities trades to him and AOC.

7. Late in PPI's monthly valuation process—after it had already received price quotes from other broker-dealers or independent pricing services for the securities in its funds' portfolios and once PPI had determined the marks needed to meet certain performance targets—traders at PPI told Dinucci the prices they wanted to receive for certain bonds in the funds' portfolios. Dinucci in return gave the traders, in essence, whatever marks they wanted.

8. Based on the conduct above, Dinucci violated Sections 17(a)(1) and (3) of the Securities Act of 1933, Section 10(b) of the Exchange Act and Rules 10b-5(a) and (c) thereunder, and aided and abetted violations of Sections 206(1), (2), and (4) of the Investment Advisers Act of 1940 and Rule 206(4)-8(a)(2) thereunder by PPI and certain other individuals.

9. During part of the Relevant Period, Dinucci had agreed to refrain from association with any broker-dealer. Although AOC filed a Form U5 to terminate his registration, Dinucci continued to, among other things, work out of AOC's offices, have contact with PPI and its traders, and solicit trades from PPI for AOC. Dinucci also continued to provide and/or facilitate the providing of inflated price quotes or marks by AOC to PPI.

10. AOC and Ronaldo Gonzalez ("Gonzalez"), who was AOC's chief executive officer and was responsible for overall supervision at AOC and also was Dinucci's supervisor, did not establish policies and procedures reasonably designed to prevent and detect Dinucci's violations during the Relevant Period. Specifically, AOC did not have adequate policies or procedures governing its brokers' provision of price quotes or marks to customers like PPI, which was one of AOC's largest customers.

11. Gonzalez was aware of the practice of broker-dealers that trade in mortgage-backed securities providing their customers with price quotes or marks to value such securities on their customers' books.

12. Prior to the Relevant Period, when both Gonzalez and Dinucci were working at another registered broker-dealer that traded in mortgage-backed securities, Gonzalez knew that Dinucci had provided price quotes or marks to PPI on behalf of that broker-dealer. For one month-end, Gonzalez provided such price quotes or marks to PPI on behalf of that broker-dealer.

13. After Gonzalez joined AOC, during the Relevant Period, he knew that AOC traders, including Dinucci, were providing price quotes or marks to PPI on behalf of AOC. Nevertheless, AOC and Gonzalez did not develop any policies or procedures concerning the provision of price quotes or marks to customers such as PPI that were reasonably designed to prevent or detect Dinucci's violations.

Violations

14. As a result of the conduct described above, AOC failed reasonably to supervise within the meaning of Section 15(b)(4)(E) of the Exchange Act with a view to preventing and detecting violations of the antifraud provisions of the federal securities laws by Dinucci.

IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondent's Offer.

Accordingly, pursuant to Section 15(b) of the Exchange Act, it is hereby ORDERED that:

A. AOC is censured.

B. Pursuant to Section 21B of the Exchange Act, AOC shall, within ten days of the entry of this Order, pay a civil money penalty in the amount of $250,000 to the Commission. The Commission may distribute civil money penalties collected in this proceeding if, in its discretion, the Commission orders the establishment of a Fair Fund

pursuant to 15 U.S.C. § 7246, Section 308(a) of the Sarbanes-Oxley Act of 2002. The Commission will hold funds paid pursuant to this paragraph in an account at the United States Treasury pending a decision whether the Commission, in its discretion, will seek to distribute funds or, subject to Exchange Act Section 21F(g)(3), transfer them to the general fund of the United States Treasury. If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. § 3717.

C. Payment must be made in one of the following ways:

1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;

2) Respondent may make direct payment from a bank account via Pay.gov through the SEC website at http://www.sec.gov/about/offices/ofm.htm; or

3) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying the Respondent and the file number of this proceeding; a copy of the cover letter and check or money order must be sent to Daniel Michael, Chief, Complex Financial Instruments Unit, and Osman Nawaz, Assistant Director, Complex Financial Instruments Unit, Division of Enforcement, Securities and Exchange Commission, 200 Vesey Street, New York, NY 10281.

D. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondent agrees that in any Related Investor Action, it shall not argue that it is entitled to, nor shall it benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondent's payment of civil penalties in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondent agrees that it shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondent by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

By the Commission.

Vanessa A. Countryman
Secretary